

AMENDED IN SENATE MAY 31, 2016
AMENDED IN SENATE APRIL 25, 2016
AMENDED IN SENATE APRIL 7, 2016
AMENDED IN SENATE MARCH 28, 2016

SENATE BILL

No. 1441

Introduced by Senators Leno and Pavley

February 19, 2016

An act to ~~add Section 39731.5 to the Health and Safety Code, and to~~
amend Section 977 of the Public Utilities Code, relating to natural gas.

LEGISLATIVE COUNSEL'S DIGEST

SB 1441, as amended, Leno. Natural gas: methane emissions.

~~(1) The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020 and to adopt rules and regulations in an open, public process to achieve the maximum, technologically feasible, and cost-effective greenhouse gas emissions reductions.~~

~~The state board is also required to complete a comprehensive strategy to reduce emissions of short-lived climate pollutants, as defined, in the state and to take specified actions and conduct specified analyses with respect to methane emissions.~~

~~This bill would require the state board, in consultation with the Public Utilities Commission and other relevant state agencies, to adopt by regulation no later than January 1, 2020, methane emissions reduction measures for the emissions associated with the extraction, production,~~

~~storage, processing, and transportation of natural gas used in the state, including imports, that will achieve a reduction in methane emissions of at least 40% below 2013 levels for systemwide methane emissions from natural gas used in California by 2025, as specified. The bill also would require the state board, in consultation with the commission and other relevant state agencies, to consider, among other things, developing new incentives or investment programs to facilitate emissions reductions in basins and fields from which the state receives a significant portion of its natural gas and imposing new requirements on the state's regulated gas corporations related to natural gas procurement and the tracking of interstate deliveries.~~

~~(2) Under~~

~~Under existing law, the commission Public Utilities Commission, has regulatory authority over public utilities, including gas corporations, as defined. Existing law authorizes the commission to fix the rates and charges for every public utility and requires that those rates and charges be just and reasonable.~~

~~This bill would, in establishing rates for gas corporations, prohibit the commission from allowing gas corporations to seek or receive recovery from ratepayers for the value of natural gas lost to the atmosphere during the extraction, production, storage, processing, transportation, and delivery of the natural gas, as specified.~~

~~Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.~~

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. The Legislature finds and declares all of the~~
- 2 ~~following:~~
- 3 ~~(a) California is the nation's second largest user of natural gas,~~
- 4 ~~comprising nearly 10 percent of the entire national consumption.~~
- 5 ~~This natural gas comes from a variety of basins, with over 90~~
- 6 ~~percent of the natural gas used in the state being imported from~~
- 7 ~~locations across the southwestern United States, the Rocky~~
- 8 ~~Mountains, and western Canada before being transported through~~
- 9 ~~more than 100,000 miles of pipe to over 11 million customers in~~
- 10 ~~the state.~~
- 11 ~~(b) Methane, the principle component of natural gas, is a~~
- 12 ~~greenhouse gas known by the Intergovernmental Panel on Climate~~
- 13 ~~Change to have a global warming potential 28 times that of carbon~~

1 dioxide over a 100-year time horizon and 84 times that of carbon
2 dioxide over a 20-year time horizon.

3 ~~(e) Methane leakage during the drilling, production, and~~
4 ~~transportation of natural gas used in the state contributes to the~~
5 ~~overall climate footprint of the energy system of the state, and~~
6 ~~although additional scientific research and analysis is presently~~
7 ~~being conducted to evaluate how much methane is leaked, there~~
8 ~~is enough information and it is imperative to continue to act to~~
9 ~~reduce that leakage.~~

10 ~~(d) The Legislature has established a policy goal to significantly~~
11 ~~reduce emissions of greenhouse gases in California, including~~
12 ~~methane leakage, but there is insufficient accountability over~~
13 ~~methane that is released into the atmosphere from operations within~~
14 ~~the state or from operations connected to gas imported into the~~
15 ~~state.~~

16 ~~(e) Requiring accountability for methane leakage associated~~
17 ~~with operations necessary to bring natural gas to state residents,~~
18 ~~in addition to adjusting and creating incentives to reduce leakage,~~
19 ~~will enable a more thorough approach to meeting the state's climate~~
20 ~~change goals while providing for a full accounting of the state's~~
21 ~~climate footprint.~~

22 ~~(f) The Legislature also has established that the safety of the~~
23 ~~natural gas pipeline infrastructure in the state is a priority for the~~
24 ~~Public Utilities Commission and gas corporations, and nothing in~~
25 ~~this act shall compromise or deprioritize safety as a top~~
26 ~~consideration.~~

27 ~~(g) While providing just and reasonable rate revenues for~~
28 ~~California gas corporations to find, categorize, and repair leaks~~
29 ~~promptly when discovered, including employing an adequate~~
30 ~~workforce, is in the public interest and promotes the interests of~~
31 ~~customers and the public, providing revenue to gas corporations~~
32 ~~to compensate them for the value of gas they lose to the atmosphere~~
33 ~~is not in the public interest.~~

34 ~~(h) While action in other states and by the federal government~~
35 ~~is necessary to fully address methane pollution from operations~~
36 ~~associated with natural gas imported into the state, integrating the~~
37 ~~full climate footprint of California natural gas into statewide~~
38 ~~planning efforts while also developing initiatives to actually reduce~~
39 ~~that footprint benefits the environment and reduces the leakage~~
40 ~~associated with the state's climate programs.~~

1 ~~SEC. 2. Section 39731.5 is added to the Health and Safety~~
2 ~~Code, to read:~~

3 ~~39731.5. (a) Notwithstanding Sections 38550 and 38551, no~~
4 ~~later than January 1, 2020, the state board, in consultation with the~~
5 ~~Public Utilities Commission and other relevant state agencies,~~
6 ~~shall adopt by regulation methane emissions reduction measures~~
7 ~~for the emissions associated with the extraction, production,~~
8 ~~storage, processing, and transportation of natural gas used in the~~
9 ~~state, including imports, that will achieve a reduction in methane~~
10 ~~emissions of at least 40 percent below 2013 levels for systemwide~~
11 ~~methane emissions from natural gas used in California, by 2025.~~

12 ~~(b) The regulation adopted pursuant to subdivision (a) shall~~
13 ~~include both of the following:~~

14 ~~(1) Information gathered or acquired pursuant to subdivision~~
15 ~~(b) of Section 39731 to determine the 2013 levels for systemwide~~
16 ~~methane emissions.~~

17 ~~(2) Interim targets to reach the methane emissions level~~
18 ~~described in subdivision (a).~~

19 ~~(c) The state board, in consultation with the Public Utilities~~
20 ~~Commission and other relevant state agencies, shall consider all~~
21 ~~of the following:~~

22 ~~(1) Developing new incentives or investment programs to~~
23 ~~facilitate emissions reductions in basins and fields from which the~~
24 ~~state receives a significant portion of its natural gas.~~

25 ~~(2) Imposing new requirements on the state's regulated gas~~
26 ~~corporations related to natural gas procurement and the tracking~~
27 ~~of interstate deliveries.~~

28 ~~(3) Modifying the state's market-based emissions reduction~~
29 ~~measures, including a market-based compliance mechanism~~
30 ~~adopted pursuant to Section 38570, to account for and include~~
31 ~~methane emissions within the compliance obligations of natural~~
32 ~~gas utilities or fuel importers.~~

33 ~~(4) Participating in or forming interstate and federal working~~
34 ~~groups, compacts, or agreements.~~

35 ~~(d) Regulations adopted pursuant to subdivision (a) shall be~~
36 ~~designed in a manner that seeks to minimize the costs and~~
37 ~~maximize total benefits.~~

38 ~~(e) This section shall be implemented to the extent feasible and~~
39 ~~consistent with law.~~

1 ~~SEC. 3.~~

2 ~~SECTION 1.~~ Section 977 of the Public Utilities Code is
3 amended to read:

4 977. In order to achieve transparency and accountability for
5 rate revenues and best value for ratepayers, and consistent with
6 the commission's existing ratemaking procedures and authority
7 to establish just and reasonable rates, the commission shall consider
8 all of the following:

9 (a) Providing an adequate workforce to achieve the objectives
10 of reducing hazards and emissions from leaks, including leak
11 avoidance, reduction, and repair.

12 (b) (1) Providing revenues for all activities identified and
13 required pursuant to Section 975, including any adjustment of
14 allowance for lost and unaccounted for gas related to actual leakage
15 volumes.

16 (2) In establishing rates for gas corporations, to the extent
17 feasible as determined by the ~~commission~~, *commission* in an
18 individual rulemaking proceeding or in general rate cases, the
19 commission shall not allow gas corporations to seek or receive
20 recovery from ratepayers for the value of natural gas lost to the
21 atmosphere during the extraction, production, storage, processing,
22 transportation, and delivery of the natural gas.

23 (c) Providing guidance for treatment of expenditures as being
24 either an item of expense or a capital investment.

25 (d) The impact on affordability of gas service for vulnerable
26 customers as a result of the incremental costs of compliance with
27 the adopted rules and procedures.